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PART II

GOVERNMENT TO REST ITS
CASE IN REWALD TRIALBy DAVID CROOK,
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HONOLULU—The government is expected to rest its case today in the extended federal fraud trial of accused swindler Ronald R. Rewald.

The eight-week-old trial has produced little evidence so far to support a controversial ABC News report that led last year to an unprecedented legal confrontation between the network and the Central Intelligence Agency.

In its disputed broadcasts in September, 1984, ABC News claimed to have verified that the CIA used Rewald's Bishop, Baldwin, Rewald, Dillingham & Wong firm as a cover for illegal agency activities in Asia and the Pacific. The network also reported that the spy agency plotted to kill Rewald and threatened the life of an investor in his firm. (The network later retracted the alleged Rewald murder threat.)

Defense attorneys will have the opportunity this week to prove that Rewald was a CIA operative and that his defunct investment firm was an agency front.

Prosecutors charge that Rewald swindled about \$22 million from more than 400 people. He is on trial for 98 counts of fraud, tax evasion and perjury. If convicted, Rewald faces 40 years in prison, prosecutors say.

The CIA reacted angrily to ABC's accusations. The CIA asked the Federal Communications Commission to investigate whether the network deliberately distorted its broadcasts and violated the FCC's fairness doctrine. With its FCC complaint, the CIA became the first arm of the federal government to try to put a TV network out of business because of its news coverage.

The FCC, in July, denied the CIA complaint but ruled that government agencies may bring such actions against broadcasters in the future.

The FCC's decision, which will not become official until it is formally published, is expected to spawn a number of legal challenges.

Rewald's trial is the first courtroom examination of his—and, by extension, ABC's—charges against the CIA.

Although the government's lawyers have acknowledged that CIA agents were taken in by Rewald's alleged scam, little has come out so far supporting the charges that the network leveled at the spy agency.

Among the more serious of ABC's charges was that Rewald's firm engineered a major illegal arms deal with the government of Taiwan. In testimony here last week, an FBI investigator said that he had found no evidence in the company's financial records that such a transaction ever occurred.

Defense attorneys managed to get some of ABC's source material

Trial has produced little evidence to support ABC News report that led to the confrontation with the CIA.

for the charge entered into evidence, however. Submitted were several cables purporting to show that the arms deal was in progress up to the August, 1983, collapse of Bishop Baldwin.

One of the cables from Bishop Baldwin consultant Ned Avary to Rewald says: "hope (to) finalize fantastic military order with awesome yet affable Lebanese gorilla (sic) this weekend."

The court disallowed some other source material that was used by reporters in early coverage of the Rewald affair. Ruled inadmissible was a letter from a former Rewald attorney to CIA Director William J. Casey demanding a \$10-million commission on the arms deal.

Only two of ABC's on-air sources for its report are expected to testify—Rewald himself and court-appointed bankruptcy administrator Thomas E. Hayes.

Hayes, scheduled as the last of more than 125 prosecution witnesses, says that ABC's reports misrepresented his position on the Rewald affair. ABC used him, Hayes has said, to confirm an extensive CIA connection to Rewald's company that didn't exist.

Hayes called ABC's reporting "pure garbage."

The bankruptcy administrator has uncovered a "minimal" CIA tie to the Bishop Baldwin firm; in August, he filed a notice to sue the intelligence agency for \$15 million.

The bankruptcy administrator said in an interview that his pro-forma claim against the agency, filed along with 50 other such notices, was made "to preserve our rights" and to beat a two-year statute of limitations that expired in August.

The CIA has not responded to Hayes' suit.

The agency has, however, been present in force in the courtroom here. Five current and former CIA officers have testified in the trial. At least three more are likely to be called by the defense team.

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